

VZCZCXRO1675
RR RUEHTRO
DE RUEHAS #0537/01 1331052
ZNR UUUUU ZZH
R 121052Z MAY 08
FM AMEMBASSY ALGIERS
TO RUEHC/SECSTATE WASHDC 5769
INFO RUEHFR/AMEMBASSY PARIS 2716
RUEHRB/AMEMBASSY RABAT 2343
RUEHTU/AMEMBASSY TUNIS 7198
RUEHTRO/AMEMBASSY TRIPOLI
RUEHNK/AMEMBASSY NOUAKCHOTT 6371
RUEHNM/AMEMBASSY NIAMEY 1599
RUEHBP/AMEMBASSY BAMAKO 0552
RUEHCL/AMCONSUL CASABLANCA 3408
RUEHEG/AMEMBASSY CAIRO 1034
RUEHMD/AMEMBASSY MADRID 8925
RUEHRC/USDA FAS WASHDC 0236
RUCPDOC/DEPT OF COMMERCE WASHDC
RHMFSS/HQ USEUCOM VAIHINGEN GE

UNCLAS SECTION 01 OF 02 ALGIERS 000537

SIPDIS

RABAT PASS TO USDA MFAY
CAIRO PASS TO TREAS ASEVERENS

E.O. 12958: N/A

TAGS: [ECON](#) [EAGR](#) [EPET](#) [ETRD](#) [AG](#)

SUBJECT: ALGERIA ECONOMIC HIGHLIGHTS APRIL 2008

¶11. The following is a summary of some economic developments in Algeria for April 2008:

-- NEW SUBSIDIES TO STABILIZE FOOD PRICES
-- NEW PHARMACEUTICAL PLANT OPENS IN ALGERIA
-- FOREIGN INSURERS ENTER THE ALGERIAN MARKET
-- SONATRACH COMMERCIALIZES GAS SALES TO EUROPE

PRICE CHECK: ALGERIA EXPANDS SUBSIDIES

¶12. In the wake of skyrocketing world prices for agricultural commodities, the Algerian government took several steps to stabilize consumer prices of staple products. According to the April 8 edition of L'Expression, Minister of Commerce Hachemi Djaaboub recommended that vegetable oil and dry legumes, such as beans, should be added to the list of food products subject to consumer price controls. And the Algerian wheat council (OAIC) announced publicly that it would offer "internationally competitive" prices to Algerian farmers for their wheat. OAIC would then sell that wheat to millers at prices designed to maintain the government price caps on products at several stages in the supply chain, including the consumer price of flour and bread. The Minister of Agriculture, Said Barkat, was quoted on April 11 in multiple domestic and international papers as saying that Algeria has built up sufficient wheat stocks, through domestic production and importation, to obviate the need for further imports in the coming months.

¶13. The Commerce Minister also announced on April 7 at the People's National Assembly that the Algerian government has authorized USD 2.5 billion to pay for food subsidies in 2008. Minister Djaaboub said publicly that price increases on products like wheat, vegetable oil, sugar and flour are due to sky rocketing world prices and are not caused by speculation in the domestic market. In 2007, Algeria, a net importer of food products, spent USD 4.5 billion on food imports, according to published interviews with a director general at the Commerce Ministry. Government subsidies for 2007 included USD 334 million for milk, USD 800 million for flour, and USD 1.4 billion for semolina. The Algerian government often releases supplemental budget allocations as needed throughout the calendar year for food purchases or subsidies. Thus, the USD 2.5 billion authorization announced by Minister Djaaboub is based on current market estimates, and the total expenditure for 2008 would most likely be increased later in the year if world prices climb beyond

government projections.

SAUDIS BUILD PHARMACEUTICAL PLANT

14. The Saudi-financed El Kendi pharmaceutical company opened a new plant in Sidi Abdellah in Western Algeria on April 12. According to the company's Website, the USD 30 million facility has a current production capacity of 156 million drug units per year. But the newspaper La Tribune reported on April 13 that the factory will eventually produce nearly 290 million units of generics per year, which, according to the paper, represents 65 percent of the Algerian market. The paper quoted El Kendi's Director General, Dr. Essam Farouk, as saying that this will be the first pharmaceutical plant in Algeria to receive accreditation from the U.S. Federal Drug Administration (FDA). The company's Website states that El Kendi's factory plans have already been approved by the FDA, and that the agency is reviewing individual production lines. El Kendi, a unit of Saudi Tabuk Pharmaceuticals, announced that it will produce a full range of products, including liquids, creams, gels and dry drugs, such as compressed tablets, capsules and pouches. Production of injection-based products is planned for 2009. Farouk was also quoted as saying that, in addition to domestic sales, El Kendi will export approximately 30 percent of its products initially to countries in the Middle East, Africa and Asia, and eventually to Europe and the United States, where Tabuk already operates.

ALGERIA OPENS TO FOREIGN INSURERS

ALGIERS 00000537 002 OF 002

15. On April 8, the Algerian National Insurance Company SAA signed a cooperation agreement with the French insurer Macif. According to various press reports, the agreement includes the creation of a subsidiary for life insurance, some vehicle coverage, and traveler's insurance. The agreement came after an announcement that the government finalized implementing regulations following the 2005 liberalization of the insurance industry. In addition to allowing foreign firms access to the Algerian market, the insurance law allows Algerian banks to offer insurance, and encourages the marketing of life insurance, long considered taboo in Algerian Muslim culture. The government has been trying to expand the use of private insurance for property, vehicles and life after an earthquake in 2003 resulted in over 2,000 deaths, 100,000 homes destroyed or damaged, and over 200,000 displaced persons in a suburb of Algiers.

SONATRACH GOES COMMERCIAL

16. On April 7, national hydrocarbons company Sonatrach made its first commercialized sale of gas to Europe with the delivery of 30,000 cubic meters of liquid natural gas (LNG) to the regasification terminal at Barcelona. Sonatrach's subsidiary, Sonatrach Commercialized Gas (SGC), entered the European market through the sale of gas to its first client, Hidrocantabrico Energia of Spain. Sonatrach said in a press statement that its strategy to create subsidiaries in the European downstream gas market allows the company to exploit a higher value for its gas, capture additional profits along the supply chain, and above all, develop an expertise in direct sales to end-users in destination markets. Sonatrach also announced four new gas discoveries on April 13 located in the South of Algeria, two on its own, and two with its joint venture with the French company Medex. This marks five new discoveries thus far in 2008.

FORD